

MONTANA LEGISLATIVE HISTORY

Chapter 260 19 89

Bill H 68 S _____ Original bill & history C

H. Committee on Local Govt.

Hearing Date(s) Jan 10 ☒ C

_____ ☐ C

_____ ☐ C

_____ ☐ C

Date Out Jan 10 ☒ C

S. Committee on State Admin.

Hearing Date(s) Mar 08 ☒ C

_____ ☐ C

_____ ☐ C

_____ ☐ C

Mar 08 ☒ C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

HOUSE FINAL STATUS

1/04 INTRODUCED
 1/05 REFERRED TO LOCAL GOVERNMENT
 1/10 HEARING
 1/11 COMMITTEE REPORT--BILL PASSED AS AMENDED
 1/13 2ND READING PASSED 96 1
 1/16 3RD READING PASSED 92 3

TRANSMITTED TO SENATE
 1/17 REFERRED TO LOCAL GOVERNMENT
 1/24 HEARING
 1/25 COMMITTEE REPORT--BILL CONCURRED
 1/27 2ND READING CONCURRED 49 0
 1/30 3RD READING CONCURRED 48 1

RETURNED TO HOUSE
 2/04 SIGNED BY SPEAKER
 2/06 SIGNED BY PRESIDENT
 2/06 TRANSMITTED TO GOVERNOR
 2/10 SIGNED BY GOVERNOR
 CHAPTER NUMBER 7 EFFECTIVE DATE: 7/01/89

HB 68 INTRODUCED BY HANSEN, S.
 LIMIT GOVERNMENTAL AUDIT CONTRACTS TO 3 YEARS WITH
 AN OPTION TO EXTEND ADDITIONAL 2 YEARS

1/04 INTRODUCED
 1/05 REFERRED TO STATE ADMINISTRATION
 1/06 REREFERRED TO LOCAL GOVERNMENT
 1/10 HEARING
 1/11 COMMITTEE REPORT--BILL PASSED AS AMENDED
 1/13 2ND READING PASSED 93 4
 1/16 3RD READING PASSED 86 10

TRANSMITTED TO SENATE
 1/17 REFERRED TO STATE ADMINISTRATION
 3/08 HEARING
 3/08 COMMITTEE REPORT--BILL CONCURRED
 3/09 2ND READING CONCURRED 49 0
 3/11 3RD READING CONCURRED 43 0

RETURNED TO HOUSE
 3/17 SIGNED BY SPEAKER
 3/17 SIGNED BY PRESIDENT
 3/18 TRANSMITTED TO GOVERNOR
 3/23 SIGNED BY GOVERNOR
 CHAPTER NUMBER 260 EFFECTIVE DATE: 10/01/89

HB 69 INTRODUCED BY DEBRUYCKER
 AUTHORIZE LOSS OF STATE LEASE AND PREFERENCE RIGHT
 FOR FELONY DRUG CONVICTION ON LAND

1/04 INTRODUCED
 1/05 REFERRED TO JUDICIARY
 1/25 HEARING
 1/30 COMMITTEE REPORT--BILL PASSED AS AMENDED
 2/01 2ND READING PASSED 92 5
 2/03 3RD READING PASSED 97 3

TRANSMITTED TO SENATE
 2/04 REFERRED TO AGRICULTURE, LIVESTOCK & IRRIG.

Clerk's office. Mr. Stearns stated that a small change may be necessary to assure that the entire budget would be kept on file with the Clerk. He suggested an amendment clarifying it. Exhibit 1.

Alec Hansen, League of Cities and Towns, stated that the League was in favor of HB 67.

Questions From Committee Members: None

Closing by Sponsor: Rep. Hansen offered the amendment for consideration and asked for support for this change.

DISPOSITION OF HOUSE BILL 67

Motion: Rep. Hansen moved that HB 67 DO PASS. Rep. Wyatt seconded the motion.

Discussion: Rep. Brooke asked Lee to please read the amendment.

Amendments and Votes: Rep. Wallin moved that the amendment as drafted be adopted. Rep Good seconded the amendment. The motion CARRIED unanimously.

Recommendation and Vote: Rep. Hansen moved that HB 67 DO PASS AS AMENDED. Rep. Nelson seconded. It CARRIED unanimously.

HEARING ON HOUSE BILL 68

Presentation and Opening Statement by Sponsor: Rep. Stella Jean Hansen, District 57, stated that the bill would increase the length of the audit contract from 3 years to 5 years without the cost of rebidding the contract.

List of Testifying Proponents and What Group They Represent:

Chuck Stearns, Finance Director and City Clerk,
Missoula
Alec Hansen, Montana League of Cities and Towns

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Chuck Stearns, City of Missoula, testified that the Governmental Accounting Office published a report suggesting that public audit contracts be increased to five years from the present three years in an effort to save costs of rebidding and to take full advantage of the auditors' familiarity with the work. Exhibit 2.

Alec Hansen, League of Cities and Towns, stated that the League supports the bill for the same reasons cited by Mr. Stearns.

Questions From Committee Members: Rep. Gould asked Mr. Stearns how complicated it is for the city to get out of a contract if they are not pleased with the auditor's work. Mr. Stearns stated that the standard City of Missoula contracts contain termination clauses. He was unsure of the exact termination clause but said that he would get the information for Rep. Gould.

Rep. Wallin asked Mr. Stearns if he would object to an amendment stating that the contracts would continue to be for three years but with the option to increase the contract another 2 years without bid. Mr. Stearns said that would be acceptable.

Closing by Sponsor: Rep. Hansen asked committee members for their support of this bill.

DISPOSITION OF HOUSE BILL 68

Motion: Rep. Hansen moved that HB 68 DO PASS. Rep. Guthrie seconded.

Discussion: Rep. Wallin asked that the committee consider an amendment stating that the contract can be extended for another 2 years without rebidding. Lee Heiman read the amendment.

Amendments and Votes: Rep. Wallin moved that HB 68 be amended. Rep. J. Brown seconded. The motion to amend CARRIED unanimously.

Recommendation and Vote: Rep. Good moved that HB 68 DO PASS AS AMENDED. Rep. Johnson seconded. The motion CARRIED unanimously.

DAILY ROLL CALL

LOCAL GOVERNMENT

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 1/10/89

NAME	PRESENT	ABSENT	EXCUSED
DARKO, PAULA - Chair	X		
McDONOUGH, MARY - Vice-Chair	X		
BROOKE, VIVIAN	X		
BROWN, DAVE	X		
BROWN, JAN	X		
HANSEN, STELLA JEAN	X		
JOHNSON, JOHN	X		
STICKNEY, JESSICA	X		
WYATT, DIANA	X		
GOOD, SUSAN	X		
GOULD, BUDD	X		
GUTHRIE, BERT	X		
HOFFMAN, ROBERT	X		
NELSON, THOMAS	X		
REHBERG, DENNIS	X		
WALLIN, NORM	X		

STANDING COMMITTEE REPORT

January 10, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that HOUSE BILL 68 (first reading copy -- white) do pass as amended

Signed: Paula Darko
Paula Darko, Chairman

And, that such amendments to HOUSE BILL 68 read as follows:

1. Title, line 5.

Strike: "5"

Insert: "3"

Following: "YEARS"

Insert: "WITH AN OPTION TO EXTEND THE CONTRACT AN ADDITIONAL 2
YEARS"

2. Page 1, line 17.

Strike: "5"

Insert: "3"

Following: "years"

Insert: "but the contract may be extended an additional 2 years
upon the request of the governmental entity"

EXHIBIT 2
DATE 1/10/89
HB #68

period of time, to assist in monitoring the audit firm, (3) obtain volunteers from local professional and educational organizations to assist the entity, and (4) communicate with the appropriate RIG about the results of its desk review and possible quality control review of the CPA's audit.

The last example in appendix III illustrates the importance of monitoring contract performance.

Conclusions and Recommendations

As discussed in the previous sections, our analysis of questionnaire responses indicates that there is a strong relationship between procurement and audit quality. It further indicates that entities are much more likely to receive acceptable quality audits when they employ a procurement process that meets the criteria for each of the four attributes as described in this report. However, we believe that entities are not taking steps to ensure that they have an effective procurement process. As a result, entities are almost three times more likely to receive an unacceptable quality audit.

Accordingly, we recommend that entities carefully assess their procurement practices and take actions to include the framework established in this report to better assure themselves of obtaining qualified auditors at a reasonable cost. The following recommendations for improving current procurement procedures are not intended to supercede existing state or local law or regulation. Instead, entities should consider these recommendations in light of their own legal and administrative requirements and incorporate them where feasible. Specifically, we recommend that entities:

- Ensure that at least two audit firms are considered when selecting a qualified auditor. Where feasible, entities should obtain competition in all circumstances, except when exercising renewal options on multiyear contracts.
- Provide multiyear contracts when possible, preferably for 5 years, to the winning audit firm to benefit from the auditor's learning curve and experience and to take advantage of cost savings associated with not procuring audit services on an annual basis. However, once the contract period expires, entities should rebid to ensure that they receive a qualified auditor at a reasonable price. The entities must also decide whether they will permit their current auditor to submit a proposal for the upcoming audit.

Local Government COMMITTEE

DATE 1/10/89

[illegible]

CS-33

MINUTES

MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Vice Chairman Sam Hofman, on March 8, 1989,
at 10:00 a.m., Room 331, Capitol.

ROLL CALL

Members Present: Senator Hubert Abrams, Senator John
Anderson, Jr., Senator Esther Bengtson,
Senator Ethel Harding, Senator Sam Hofman,
Senator Paul Rapp-Svrcek, Senator Tom
Rasmussen, Senator Eleanor Vaughn

Members Excused: Senator William E. Farrell

Members Absent: None

Staff Present: Eddy McClure

HEARING ON HB 68

Presentation and Opening Statement by Sponsor:

Representative Stella Jean Hansen stated this is a bill that was heard in local government, noting it is a simple bill. She indicated they asked that the audit reports be changed from 3 to 5 years, and that the committee amended it back to 3, with a 2 year option, so local governments could choose how they wanted to negotiate the contract. She stated that many counties or local governments felt that 3 years was not long enough because, by the time they negotiated a contract with an auditor, they were just beginning to get the feel of the audit when they had to re-negotiate the contract. She added it was expensive for them, and they thought 5 years would serve them better than 3.

List of Testifying Proponents and What Group they Represent:

Alex Hansen, Montana League of Cities and Towns
Scott Turner, County Manager, Yellowstone County

Testimony:

Mr. Hansen testified that their organization supports this measure because they believe it will promote efficiency in the operations of municipal government in the state. He stated they found that the longer audit period works to their advantage, because the auditing firm, once they become familiar with the books, can do the job cheaper, more efficiently and, in many cases, the costs are reduced. He referred to a letter from the finance officer of the City of Missoula, a copy of which is attached as Exhibit 2, and indicated it spells out the reasons they support this bill. He added that they also support the amendment that was added in the House, noting the House felt, if they made it a 5-year contract, they might be locked in, and the amendment makes it a 3-year contract, in accordance with the present rules, but allows them an optional 2 years without going to another bid. He stated they believe this bill will promote efficiency and economy, and make it easier to conduct these audits without affecting the quality of the end product.

Testimony:

Mr. Turner stated he would like to echo the concerns that Mr. Hansen had, and added they feel a 5-year contract would allow the county, and other local governments, to substantially reduce their audit costs, which are beginning to mount up. He stated that doing an audit is becoming quite an expensive proposition, anymore, for governments, due to the multitude of federal and state components that they have to comply with. He indicated they feel they can incur a savings of many thousands of dollars with a 5-year contract, over a 3-year contract, and, therefore, they urge the committee's support of this bill.

List of Testifying Opponents and What Group They Represent:

None.

Questions From Committee Members:

- Q. Senator Bengtson asked Mr. Turner how much it costs for an audit.
- A. Mr. Turner responded that, this year, it was \$28,000.
- Q. Senator Harding indicated she comes from a small county, and they do not contract audits, that they have the state audits. She stated they are supposed to audit annually,

SENATE COMMITTEE ON STATE ADMINISTRATION

March 8, 1989

Page 3 of 29

but do it about every year and a half. She asked Mr. Turner if they contract with local people for audits, and if they can contract for 3 years, but want the option to extend that contract.

- A. Mr. Turner responded they currently do 3-year contracts, and the state has to approve their selection of a local auditor. He indicated they submit their audit to the state, and the state approves, noting the state still has an oversight responsibility for the audit, but that local government does not have to contract with a local firm.
- Q. Senator Harding asked if the \$28,000 is an annual amount.
- A. Mr. Turner responded that was their current audit cost.
- Q. Senator Harding asked if that was for one year.
- A. Mr. Turner responded that was for this fiscal year, and that it is increasing every year, adding that, next year, their audit cost will be close to \$30,000. He stated that, the longer term they can lock in, hopefully, they can keep the cost down because it is becoming substantial.

Closing by Sponsor:

Representative Hansen indicated she hopes the committee will concur with this bill, and stated she thinks it is a good bill for counties, particularly, and may be for others that do this contract auditing.

Vice Chairman Hofman announced the hearing on HB68 as closed.

DISPOSITION OF HB 68

Discussion:

Senator Bengtson offered a motion that HB68 be concurred in.

Recommendation and Vote:

Motion passed by the committee that HB68 be concurred in.

ROLL CALL

STATE ADMINISTRATION COMMITTEE

51ST LEGISLATIVE SESSION

DATE: March 8, 1989

NAME	PRESENT	ABSENT	EXCUSED
HUBERT ABRAMS	✓		
JOHN ANDERSON, JR.	✓		
ESTHER BENGTSO	✓		
WILLIAM E. FARRELL			✓
ETHEL HARDING	✓		
SAM HOFMAN	✓		
PAUL RAPP-SVRCEK	✓		
TOM RASMUSSEN	✓		
ELEANOR VAUGHN	✓		

SENATE STANDING COMMITTEE REPORT

March 8, 19

MR. PRESIDENT:

We, your committee on State Administration, having had under consideration HB 68 (third reading copy -- blue), respectfully report that HB 68 be concurred in.

Sponsor: Debruycker (Vaughn)

BE CONCURRED IN

Signed: William E. Farrell
William E. Farrell, Chairman

SENATE STATE ADMIN.

EXHIBIT NO. 1

DATE 3/8/89

BILL NO. HB 68

STATE ADMINISTRATION COM

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

Alec Hansen

3-8-89

Address:

208 W. MONT

Helena

Phone:

Representing whom?

Appearing on which proposal?

Do you: SUPPORT? _____ AMEND? _____ OPPOSE? _____

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY



FINANCE/CITY CLERK OFFICE

201 W. SPRUCE • MISSOULA, MT 59802-4297 • (406) 721-4700

FINANCE AND DEBT MANAGEMENT
BUDGET AND ANALYSIS
ACCOUNTING
CITY CLERK
UTILITY BILLING
RISK MANAGEMENT
SENATE STATE ADMIN.

March 6, 1989
Letter #89-040

EXHIBIT NO. 2
DATE 3/8/89
BILL NO. HB68

MAR 7 1989

The Honorable Stella Jean Hansen
Montana House of Representatives
Capitol Station
Helena, MT 59620

The Honorable William Farrell
Chairman - State Admin. Committee
Montana State Senate
Capitol Station
Helena, MT 59620

Dear Representative Hansen and Senator Farrell:

This letter is to convey the City of Missoula's support for House Bill #68, An Act to Limit Governmental Audit Contracts to 3 years with an option to extend the contract an additional two years. I will be unable to attend the hearing on Wednesday, March 8th at 10:00 AM, but would like to go on record as supporting this bill.

The City of Missoula sought this legislation because the Administrative Rules of Montana limit audit contracts to three years in duration and we feel that it is desirable and efficient that audit contracts for up to five years in duration be allowed. A 1987 United States General Accounting Office report entitled "*CPA AUDIT QUALITY - A Framework for Procuring Audit Services*" recommended five year contracts in order to receive cost savings and benefit from having the same auditing firm do more than a single year audit (see the enclosed copy of a page from that report).

I talked with Don Dooley of the Department of Commerce Bureau of Local Government Services before the 1989 Legislature began and he had no problem with lengthening the audit contracts. The bill was amended in the house to provide for three year contracts with a two year option as there was some concern about cities being locked into a five year contract. We support the amendment and urge your concurrence with House Bill #68 as amended.

Sincerely,

Chuck Stearns
Finance Officer/City Clerk

enclosures

cc: Members of Senate State Administration Committee
Members of Missoula's Senate Delegation

period of time, to assist in monitoring the audit firm, (3) obtain volunteers from local professional and educational organizations to assist entity, and (4) communicate with the appropriate RIG about the results of its desk review and possible quality control review of the CPA's audit.

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EXHIBIT NO. 3DATE 3/8/89BILL NO. HB 68

STATE ADMINISTRATION CO

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

Scott TurnerMarch 8, '89

Address:

Box 35003Billings, MT 59102

Phone:

256-2793

Representing whom?

Yellowstone County

Appearing on which proposal?

HB 68Do you: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

Comments:

Extending the audit length can help incur lower
audit costs over 5 yr term, since audit firm can absorb
initial start-up costs of the audit over 5 years instead resuting
in lower bid costs for local govt's.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY